

**BYLAWS OF
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky
Revised November 2004**

CUMBERLAND VALLEY ELECTRIC

The aim of Cumberland Valley Electric is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

**ARTICLE I
MEMBERS**

SECTION 1. Qualifications and Obligations. Any person, firm, corporation or political body may become a member of Cumberland Valley Electric by:

- (a) paying the membership fee hereinafter specified;
- (b) agreeing to purchase from Cumberland Valley Electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the Articles of Incorporation of Cumberland Valley Electric and these bylaws and any amendments hereto and such rules and regulations as may from time-to-time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or political body shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No firm, person, corporation or political body may own more than one (1) membership in Cumberland Valley Electric.

A husband and wife shall be considered a joint member and their application for membership may be accepted in accordance with the foregoing provisions of the above subdivisions (a), (b) and (c).

SECTION 2. Membership Fee. The membership fee shall be fixed by the Board of Directors

SECTION 3. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from Cumberland Valley Electric all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time-to-time be fixed by the Board of Directors; provided however, that the Board of Directors may limit the amount of electric energy which Cumberland Valley Electric shall be required to furnish to any member. It is expressly understood that the amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to Cumberland Valley Electric such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time-to-time. Each member shall also pay all amounts owed by him to Cumberland Valley Electric as and when the same shall become due and payable.

SECTION 4. Non-liability for Debts of Cumberland Valley Electric. The private property of the members of Cumberland Valley Electric shall be exempt from execution for the debts of Cumberland Valley Electric and no member shall be individually liable or responsible for any debts or liabilities of Cumberland Valley Electric

SECTION 5. Expulsion of Members. The Board of Directors of Cumberland Valley Electric may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cumberland Valley Electric or these bylaws for any rules and regulations adopted from time-to-time by the Board of Directors

SECTION 6. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to Cumberland Valley Electric and upon compliance with such terms and conditions as the Board of Directors may prescribe

SECTION 7. Transfer and Termination of Membership.

- (a) Membership in Cumberland Valley Electric and a certificate representing the same shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to Cumberland Valley Electric
- (b) A membership by a husband and a wife, considered a joint membership and upon the death of either joint member shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and, upon the recording of such death on the books of Cumberland Valley Electric, the Certificate may be reissued to and in the name of such survivors; provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cumberland Valley Electric.

**ARTICLE II
MEETINGS OF MEMBERS**

SECTION 1. Annual Meeting. The Annual Meeting of the members shall be held at any such time and place designated by the Board of Directors, as shall be designated in the notice of the meeting, for the purpose of

announcing the election of directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any four (4) board members, or 500 or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by Cumberland Valley Electric.

SECTION 3. Notice of Members' Annual Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered not less than seven (7) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the Annual Meeting, to each member. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of Cumberland Valley Electric, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both members. The failure of any member to receive notice of an Annual Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting

SECTION 4. Quorum. 100 of the membership present in person shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time-to-time without further notice

SECTION 5. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at, or in conjunction with, a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the Articles of Incorporation of Cumberland Valley Electric, or these bylaws, and except that voting for members of the Board of Directors shall be by mail, in accordance with Article III of these bylaws. Husband and wife are deemed to hold a joint membership, and they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote.

SECTION 6. Proxies prohibited. Voting by proxy is prohibited by these bylaws.

SECTION 7. Agenda. No proposal from a member or group of members shall be voted upon at the annual meeting or any special meeting unless it has been placed on the agenda at least sixty (60) days prior to the date of such meeting. Such proposal may be placed on agenda by a petition signed by one hundred (100) members, by filing a copy of the proposal with the secretary within time allowed.

SECTION 8. Order of Business. The order of business at the Annual Meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

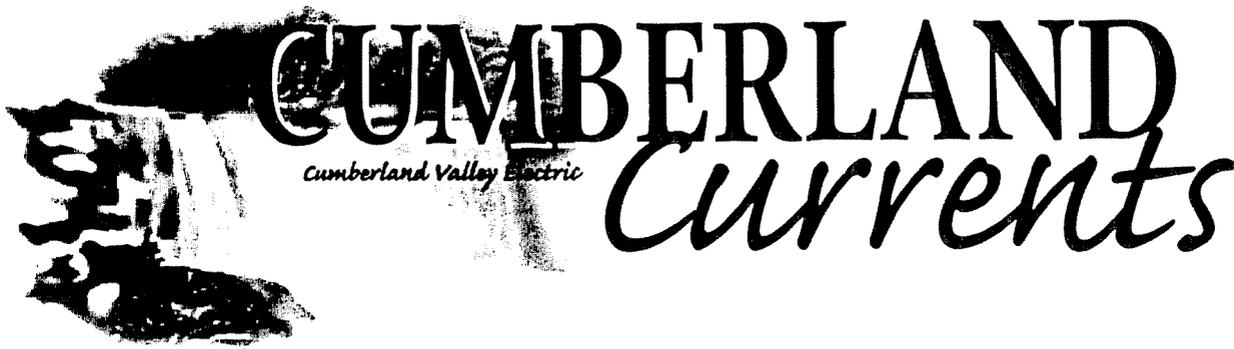
- 1 Call of the roll
- 2 Reading of the notice of the meeting and proof of due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be
- 3 Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon
- 4 Presentation and consideration of, and acting upon, reports of officers, directors and committees
- 5 Announcement of the election of directors
- 6 Unfinished business
- 7 New business
- 8 Adjournment

**ARTICLE III
DIRECTORS**

SECTION 1. Number and General Powers. The business and affairs of Cumberland Valley Electric shall be managed by a Board currently consisting of seven (7) directors, which shall be reduced to five (5) directors effective with the Annual Meeting in 2005, as provided in Article III, Section 2 of these bylaws. The Board shall exercise all of the powers of Cumberland Valley Electric except such as are by law or by Cumberland Valley Electric's Articles of Incorporation or bylaws conferred upon or reserved to the members.

SECTION 2. Districts. To insure the distribution of Board members throughout the area served by Cumberland Valley Electric, the territory served or to be served by it shall be divided into districts from which Board members shall be elected from time to time as provided for in these bylaws. The original districts and the number of directors to be elected from each are:

1	Whitley & McCreary counties	1
2	Knox, Bell & Laurel counties	1



**BYLAWS OF
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky
Revised January 14, 2002**

CUMBERLAND VALLEY ELECTRIC

The aim of Cumberland Valley Electric is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

**ARTICLE I
MEMBERS**

SECTION 1. Qualifications and Obligations. Any person, firm, corporation or political body may become a member of Cumberland Valley Electric by:

- (a) paying the membership fee hereinafter specified;
- (b) agreeing to purchase from Cumberland Valley Electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the Articles of Incorporation of Cumberland Valley Electric and these bylaws and any amendments hereto and such rules and regulations as may from time-to-time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or political body shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No firm, person, corporation or political body may own more than one (1) membership in Cumberland Valley Electric.

Husband and wife shall be considered a joint member and their application for membership may be accepted in accordance with the foregoing provisions of the above subdivisions (a), (b) and (c).

SECTION 2. Membership Fee. The membership fee shall be fixed by the Board of Directors.

SECTION 3. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from Cumberland Valley Electric all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time-to-time be fixed by the Board of Directors; provided however, that the Board of Directors may limit the amount of electric energy which Cumberland Valley Electric shall be required to furnish to any member. It is expressly understood that the amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to Cumberland Valley Electric such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time-to-time. Each member shall also pay all amounts owed by him to Cumberland Valley Electric as and when the same shall become due and payable.

SECTION 4. Non-liability for Debts of Cumberland Valley Electric. The private property of the members of Cumberland Valley Electric shall be exempt from execution for the debts of Cumberland Valley Electric and no member shall be individually liable or responsible for any debts or liabilities of Cumberland Valley Electric.

SECTION 5. Expulsion of Members. The Board of Directors of Cumberland Valley Electric may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cumberland Valley Electric or these bylaws or any rules and regulations adopted from time-to-time by the Board of Directors.

SECTION 6. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to Cumberland Valley Electric and upon compliance with such terms and conditions as the Board of Directors may prescribe.

SECTION 7. Transfer and Termination of Membership.

- (a) Membership in Cumberland Valley Electric and a certificate representing the same shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to Cumberland Valley Electric.
- (b) A membership by a husband and a wife, considered a joint membership and upon the death of either joint member shall be deemed to be held solely by the survivor or with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and, upon the recording of such death on the books of Cumberland Valley Electric, the Certificate may be reissued to and in the name of such survivors;

provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cumberland Valley Electric.

**ARTICLE II
MEETINGS OF MEMBERS**

SECTION 1. Annual Meeting. The annual meeting of the members shall be held at any such time and place designated by the Board of Directors, as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any four (4) board members, or 500 or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by Cumberland Valley Electric.

SECTION 3. Notice of Members' Annual Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered not less than seven (7) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the Annual Meeting, to each member; that with respect to all Annual Meetings at which directors are to be elected, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of Cumberland Valley Electric, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members. The failure of any member to receive notice of an Annual Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Quorum. 100 of the membership present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time-to-time without further notice.

SECTION 5. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation of Cumberland Valley Electric, or these bylaws. Husband and wife are deemed to hold a joint membership, and they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

SECTION 6. Proxies. At all meetings of the members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary twenty-four (24) hours before the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated, or any adjournment of such meeting. No person shall vote a proxy for more than three (3) members at any meeting of the members except upon the question of amendment of the Articles of Incorporation or to increase the number of counties in which Cumberland Valley Electric may operate, in either of which cases a person may hold and vote an unlimited number of proxies. No proxy shall be valid on and after sixty (60) days from its execution. The presence of a member at a meeting shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

In case of a joint membership, a proxy may be executed by either the husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them, and such joint member shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

SECTION 7. Agenda. No proposal from a member or group of members shall be voted upon at the annual meeting or any special meeting unless it has been placed on the agenda at least sixty (60) days prior to the date of such meeting. Such proposal may be placed on agenda by a petition signed by one hundred (100) members, by filing a copy of the proposal with the secretary within time allowed.

SECTION 8. Order of Business. The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE III DIRECTORS

SECTION 1. Number and General Powers. The business and affairs of Cumberland Valley Electric shall be managed by a Board of seven (7) directors. The Board shall exercise all of the powers of Cumberland Valley Electric except such as are by law or by Cumberland Valley Electric's Articles of Incorporation or bylaws conferred upon or reserved to the members.

SECTION 2. Districts. To insure the distribution of Board members throughout the area served by Cumberland Valley Electric, the territory served or to be served by it shall be divided into districts from which Board members shall be elected from time-to-time as provided for in these bylaws. The original districts and the number of directors to be elected from each are:

District Number	Counties in District	Number of Directors
1	Whitley & McCreary counties	1
2	Knox, Bell & Laurel counties	1
3	Knox, Bell & Laurel counties	1
4	Harlan, Leslie & Letcher counties	1
5	Harlan, Leslie & Letcher counties	1
6	Whitley & McCreary counties	1
7	Co-op Wide	1

SECTION 3. Qualifications. Any active member in good standing above the age of eighteen (18) years who is a high school graduate, as evidenced by high school diploma, shall be eligible to be a director; provided, however, that no member shall be eligible to become or remain a director, or to hold any position of trust who is not a bona fide resident of the area served by Cumberland Valley Electric at the time he is elected a director. Any director who is so elected, may remain a director until the expiration of the term to which he is elected, subject to the approval of the Board. No member shall be elected a director, who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to Cumberland Valley Electric, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to members of Cumberland Valley Electric, and no person shall take or hold office as a director who is the incumbent of or candidate for an elective public office in connection with which a salary is paid. When a membership is held jointly by a husband or wife, either one, but not both, may be elected a director; provided however, that neither one shall be eligible to become a director or to remain a director, or to hold position of trust in Cumberland Valley Electric unless both shall meet the qualifications herein above set forth. Nothing in this section contained shall, or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4. Election-Tenure. Board members shall be elected by the members-at-large at the Annual Meeting of members. They shall serve for terms of three (3) years each, ending with the third annual meeting following the election, and until their successors shall have been elected, declared qualified and seated. The seating of a new director shall occur at the next regular scheduled meeting of the Board of Directors. Board members for Districts 1, 3, 5, 6, and 7 shall be elected in 1990 and each third year thereafter. Board members for Districts 2 and 4 shall be elected in 1991 and each third year thereafter.

Board members whose terms are expiring are eligible for re-election.

The election of Board members shall be by printed ballot. The ballots shall list the candidates nominated according to districts, giving their names and addresses. If there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Each member of Cumberland Valley Electric present shall be entitled to vote for one candidate from each district. The candidate from each district receiving the highest number of votes at the meeting shall be considered elected a board member. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 5. Nominations. It shall be the duty of the Board of Directors to appoint, not less than ninety (90) days before the date of the Annual Meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than seven (7) members who shall be selected so as to give equitable representation on the committee to the geographical areas served, or to be served by Cumberland Valley Electric. No officer or member of the Board of Directors shall be appointed a member of such committee. The nominating committee will report to the Board of Directors ninety (90) days prior to Annual Meeting their list of nominations for directors. The committee shall prepare and post at the principal office of Cumberland Valley Electric at least twenty (20) days before the meeting a list of nominations for directors. (But 500 or more members may make other nominations in writing over their signatures not less than ninety [90] days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations and the nominations made by petition, if any.) However, no write-in votes shall be permitted in the election of the members of the Board of Directors.

SECTION 6. Vacancies. Vacancies occurring for any reason in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the term of office to which he has been elected expires.

SECTION 7. Compensation. Compensation for Directors shall be determined by the

Board. If authorized by the Board, Board Members may also be reimbursed for expense actually and necessarily incurred carrying out Cumberland Valley Electric business, or granted a reasonable per diem allowance in lieu of detailed accounting of these expenses.

SECTION 8. Directors' Liability and Indemnification. A director of Cumberland Valley Electric shall not be personally liable to Cumberland Valley Electric or its shareholders for monetary damages for breach of his duties as a director, provided that this position shall not eliminate or limit the liability of a director for the following: (i) for any transaction in which the director's personal financial interest is in conflict with the financial interests of Cumberland Valley Electric or its shareholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law; (iii) for any vote for or assent to an unlawful distribution to shareholders as prohibited under KRS 271B.8-330; or (iv) for any transaction from which the director derived an improper personal benefit. This Section 8 shall continue to be applicable with respect to any such breach of duties by a director of Cumberland Valley Electric as a director notwithstanding that such director thereafter ceased to be a director and shall inure to the personal benefit of his heirs, executors and administrators. Cumberland Valley Electric may purchase insurance and otherwise indemnify the director against liability, including court costs and attorney fees, to the extent that their acts or omissions constituting the grounds for any alleged liability were performed in their official capacity and, if actionable, were based on good faith business judgments in the belief that the acts or omissions were in the best interest of Cumberland Valley Electric.

SECTION 9. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these bylaws, as it may deem advisable for the management, administration and regulation of the business affairs of Cumberland Valley Electric.

SECTION 10. Accounting System and Reports. The Board of Directors shall cause to be established and maintained, a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time-to-time be designated by the Administrator of the Rural Utilities Service of the United States of America. All accounts of Cumberland Valley Electric shall be examined by a committee of the Board of Directors which shall render reports to the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts books and financial condition of Cumberland Valley Electric at the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

SECTION 11. Director Emeritus and Management Advisory Council. Policy Statement Numbers 62 and 63, adopted by the Board of Directors, February 17, 1983, and which became effective on that date, as amended on October 17, 1985, which policies deal with Directors Emeritus and Management Advisory Council shall not apply to any member of the present Board of Directors unless a present member of the Board of Directors elects to come within the purview of said policy.

SECTION 12. Removal of Director. Any member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by thirty per centum (30%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

ARTICLE IV MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this bylaw immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall be held monthly at such time and place in Knox County, Kentucky, as said Board may provide by resolution. Such regular meetings may be held without notice other than such resolutions fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any two (2) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Knox County, Kentucky), for the holding of any special meeting of the Board of Directors called by them.

SECTION 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least two (2) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time-to-time without further notice.

SECTION 5. Manner of Action. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V OFFICERS

SECTION 1. Number. The officers of Cumberland Valley Electric shall be a President, Vice President, Secretary and Treasurer, and such other officers as the Board of Directors may determine from time-to-time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2. Election and Terms of Office. The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the members or until his successor shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of Cumberland Valley Electric will be served thereby.

SECTION 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. President. The President:

- (a) shall be the principal executive officer of Cumberland Valley Electric and shall preside at all meetings of the members and of the Board of Directors;
- (b) shall sign, with the Secretary certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any checks, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of Cumberland Valley Electric, or shall be required by law to be otherwise signed or executed; and,
- (c) in general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time-to-time.

SECTION 6. Vice President. In the absence of the President, or in the event of his inability or refusal to act the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time-to-time may be assigned to him by the Board of Directors

SECTION 7. Secretary. The Secretary shall:

- (a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notes are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of Cumberland Valley Electric records and of the seal of Cumberland Valley Electric and see that the seal of Cumberland Valley Electric is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of Cumberland Valley Electric under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member; sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors; have general charge of the books of Cumberland Valley Electric in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the bylaws of Cumberland Valley Electric containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of Cumberland Valley Electric forward a copy of the bylaws and of all amendments thereto each member; and,
- (h) in general, perform all duties incident to the office of Secretary and such other duties as from time-to-time may be assigned to him by the Board of Directors

SECTION 8. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of Cumberland Valley Electric;
- (b) receive and give receipts for monies due and payable to Cumberland Valley Electric from any source whatsoever, and deposit all such monies in the name of Cumberland Valley Electric in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and,
- (c) in general, perform all the duties incident to the office of Treasurer and such other duties from time-to-time as may be assigned to him by the Board of Directors.

SECTION 9. Manager. The Board of Directors may appoint a manager who may be, but who shall not be required to be a member of Cumberland Valley Electric. The manager shall perform such duties as the Board of Directors may from time-to-time require of him and shall have such authority as the Board of Directors may from time-to-time vest in him.

SECTION 10. Bonds of Officers. The Board of Directors shall require the Treasurer or any other officer of Cumberland Valley Electric charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of Cumberland Valley Electric to give bond in such amount and with such surety as it shall determine.

SECTION 11. Compensation and Indemnification. The Board of Directors shall fix the compensation of all officers, agents and employees of Cumberland Valley Electric. Cumberland Valley Electric may purchase insurance and otherwise indemnify any officers of Cumberland Valley Electric to the same extent as provided in Article III, Section 8 for directors.

SECTION 12. Reports. The officers of Cumberland Valley Electric shall submit at each Annual Meeting of the members reports covering the business of Cumberland Valley Electric for the previous fiscal year and showing the condition of Cumberland Valley Electric at the close of such fiscal year.

ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of Cumberland Valley Electric, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of Cumberland Valley Electric shall be signed by such manner as shall from time-to-time be determined by resolution of the Board of Directors.

SECTION 3. Deposits. All funds of Cumberland Valley Electric shall be deposited from time-to-time to the credit of Cumberland Valley Electric in such bank or banks as the Board of Directors may select it.

ARTICLE VII MEMBERSHIP CERTIFICATES

SECTION 1. Certificates of Membership. Membership in Cumberland Valley Electric shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of Cumberland Valley Electric or these bylaws. Such certificate shall be signed by the President and by the Secretary of Cumberland Valley Electric and the Corporate Seal shall be affixed thereto.

SECTION 2. Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

SECTION 3. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to Cumberland Valley Electric as the Board of Directors may prescribe.

ARTICLE VIII NON-PROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited. Cumberland Valley Electric shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by Cumberland Valley Electric on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy Cumberland Valley Electric's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for Cumberland Valley Electric. In order to induce patronage and to assure that Cumberland Valley Electric will operate on a non-profit basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the moment of receipt by Cumberland Valley Electric are received with the understanding that they are furnished by the patrons, members and non-members alike as capital. Cumberland Valley Electric is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of Cumberland Valley Electric shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and Cumberland Valley Electric shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of legal obligation to do so and the patron had then furnished Cumberland Valley Electric corresponding amounts for capital.

In the event of dissolution or liquidation of Cumberland Valley Electric, after all outstanding indebtedness of Cumberland Valley Electric shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of Cumberland Valley Electric will not be impaired thereby, the capital then credited to patron accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by Cumberland Valley Electric being first retired. In no event, however may any such capital be retired unless, after the proposed retirement, the capital of Cumberland Valley Electric shall equal at least forty per centum (40%) of the total assets of Cumberland Valley Electric. Capital credited to the account of each patron shall be assignable only on the books of Cumberland Valley Electric pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by Cumberland Valley Electric unless the Board of Directors, acting under policies of general application shall determine otherwise. In the event that non-member patron shall elect to become a member of Cumberland Valley Electric, the capital credited to the account of such non-member patron may be applied by Cumberland Valley Electric toward the payment of a membership fee on behalf of such non-member patron.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estates shall agree upon; provided, however, that the financial condition of Cumberland Valley Electric will not be impaired thereby.

The patrons of Cumberland Valley Electric, by dealing with Cumberland Valley Electric, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between Cumberland Valley Electric and each patron, and both Cumberland Valley Electric and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of Cumberland Valley Electric by posting it in a conspicuous place in Cumberland Valley Electric's office.

SECTION 3. Patronage Refunds in Connection with Furnishing Other Services. In the event that Cumberland Valley Electric should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of cost and expenses properly chargeable against the furnishings of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and

returned to those patrons, members and non-members alike, from whom such amounts were obtained.

ARTICLE IX WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws. In case of a joint membership, a waiver of notice signed by either husband or wife shall be deemed a waiving notice of both joint members.

ARTICLE X DISPOSITION OF PROPERTY

SECTION 1. Vote Requirement and Procedures. No merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets shall be authorized except in conformity with the following:

1. If the Board of Directors looks with favor upon any proposal for such merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets, it shall first cause three independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of Cumberland Valley Electric with respect to merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets, and as to any other terms and conditions which should be considered. The three such appraisers shall be designated by the Knox Circuit Court Judge. If such Judge refuses to make such designations, they shall be made by the Board of Directors.
2. If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal shall be submitted for consideration by the members, it shall first give every other electric cooperative situated and operating in Kentucky (which has not made such an offer) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which Cumberland Valley Electric has already received and copies of the respective reports of the three appraisers. Such electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.
3. If the Board then determines that favorable consideration shall be given to the initial or any subsequent proposal which has been submitted to it, it shall first adopt by the affirmative vote of 3/4 of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than a (majority) of the total members and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety (90) days after the giving of such notice to the members; PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such Annual Meeting is held not sooner than ninety (90) days after the giving of such notice.
4. Any two hundred (200) or more members, by so petitioning the Board not less than twenty (20) days prior to date of such special or Annual Meeting, may cause Cumberland Valley Electric, with the cost to be borne by Cumberland Valley Elec-

tric, to mail to all members any opposing or alternate positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

5. The provisions of this Section 1 shall not apply to a sale, merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets to one or more electric cooperatives chartered under KRS Chapter 279 or if the substantive or actual legal effect thereof is to merge or consolidate with such of the one or more electric cooperatives.
6. This bylaw shall take effect upon the affirmative vote of not less than three-fourths (3/4) of all directors; and shall remain in effect until altered, amended, or repealed by a similar vote of all directors and not less than a majority of the total members.

SECTION 2. Evaluative Considerations. In connection with the exercise of its judgment in determining what is in the best interest of Cumberland Valley Electric and its members when evaluating any proposal for merger, consolidation, sale of assets, lease, transfer, or other disposition of substantially all of Cumberland Valley Electric's assets, the Board of Directors shall, in addition to considering the adequacy of the amount to be paid in connection with the transaction, consider all of the following factors and other factors which it deems relevant: 1. The societal and economic effects of the transaction upon Cumberland Valley Electric's employees; 2. The societal and economic impact of the transaction upon the community and service territories; and 3. The long-term as well as short-term interest of Cumberland Valley Electric and its members, including the possibility that these interests may be best served by the continued existence of Cumberland Valley Electric.

ARTICLE XI FISCAL YEAR

The fiscal year of Cumberland Valley Electric shall begin on the first (1) day of January of each year and end on the thirty-first (31) day of December of the same year.

ARTICLE XII MEMBERSHIP IN OTHER ORGANIZATION

Cumberland Valley Electric shall not become a member of any organization or purchase stock in any other organization without the majority vote of the Board.

ARTICLE XIII SEAL

The corporate seal of Cumberland Valley Electric shall be in the form of a circle and shall have inscribed thereon the name of Cumberland Valley Electric and words "Corporate Seal, Kentucky."

ARTICLE XIV AMENDMENTS

These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all the directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

Rural Utilities Service Statement of Nondiscrimination

Cumberland Valley Electric, Inc. is the recipient of Federal financial assistance from the Rural Utilities Service (RUS), an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules of the U.S. Department of Agriculture, which provide that no person in the United States on the basis of race, color, national origin, age or handicap shall be excluded participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for this organization's nondiscrimination compliance efforts is Ted Hampton, Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, DC 20250; or the Administrator, Rural Utilities Service, Washington, DC 20250. Complaints must be filed within 180 days after the alleged discriminatory action, or by such later date to which the Secretary of Agriculture or the Administrator of RUS extends the time for filing. Identity of complainants will be kept confidential to the extent necessary to carry out the purposes of the rules and regulations of the U.S. Department of Agriculture.

CUMBERLAND VALLEY ELECTRIC, INC.
Highway 25E • Gray, Kentucky 40734



**BYLAWS OF
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Kentucky
Revised November 19, 1998**

CUMBERLAND VALLEY ELECTRIC

The aim of Cumberland Valley Electric is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

**ARTICLE I
MEMBERS**

SECTION 1. Qualifications and Obligations. Any person, firm, corporation or political body may become a member of Cumberland Valley Electric by:

- (a) paying the membership fee hereinafter specified;
- (b) agreeing to purchase from Cumberland Valley Electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the Articles of Incorporation of Cumberland Valley Electric and these bylaws and any amendments hereto and such rules and regulations as may from time-to-time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or political body shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No firm, person, corporation or political body may own more than one (1) membership in Cumberland Valley Electric.

A husband and wife shall be considered a joint member and their application for membership may be accepted in accordance with the foregoing provisions of the above subdivisions (a), (b) and (c).

SECTION 2. Membership Fee. The membership fee shall be fixed by the Board of Directors.

SECTION 3. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from Cumberland Valley Electric all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time-to-time be fixed by the Board of Directors; provided however, that the Board of Directors may limit the amount of electric energy which Cumberland Valley Electric shall be required to furnish to any member. It is expressly understood that the amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to Cumberland Valley Electric such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time-to-time. Each member shall also pay all amounts owed by him to Cumberland Valley Electric as and when the same shall become due and payable.

SECTION 4. Non-liability for Debts of Cumberland Valley Electric. The private property of the members of Cumberland Valley Electric shall be exempt from execution for the debts of Cumberland Valley Electric and no member shall be individually liable or responsible for any debts or liabilities of Cumberland Valley Electric.

SECTION 5. Expulsion of Members. The Board of Directors of Cumberland Valley Electric may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cumberland Valley Electric or these bylaws for any rules and regulations adopted from time-to-time by the Board of Directors.

SECTION 6. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to Cumberland Valley Electric and upon compliance with such terms and conditions as the Board of Directors may prescribe.

SECTION 7. Transfer and Termination of Membership.

- (a) Membership in Cumberland Valley Electric and a certificate representing the same shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to Cumberland Valley Electric.
- (b) A membership by a husband and a wife, considered a joint membership and upon the death of either joint member shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and, upon the recording of such death on the books of Cumberland Valley Electric, the Certificate may be reissued to and in the name of such survivors;

provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cumberland Valley Electric.

**ARTICLE II
MEETINGS OF MEMBERS**

SECTION 1. Annual Meeting. The annual meeting of the members shall be held at any such time and place designated by the Board of Directors, as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any four (4) board members, or by ten per centum (10%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by Cumberland Valley Electric.

SECTION 3. Notice of Members' Annual Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered not less than seven (7) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the Annual Meeting, to each member; that with respect to all Annual Meetings at which directors are to be elected, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of Cumberland Valley Electric, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members. The failure of any member to receive notice of an Annual Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Quorum. Two percent (2%) of the membership present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time-to-time without further notice.

SECTION 5. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation of Cumberland Valley Electric, or these bylaws. Husband and wife are deemed to hold a joint membership, and they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

SECTION 6. Proxies. At all meetings of the members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary twenty-four (24) hours before the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated, or any adjournment of such meeting. No person shall vote a proxy for more than three (3) members at any meeting of the members except upon the question of amendment of the Articles of Incorporation or to increase the number of counties in which Cumberland Valley Electric may operate, in either of which cases a person may hold and vote an unlimited number of proxies. No proxy shall be valid on and after sixty (60) days from its execution. The presence of a member at a meeting shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

In case of a joint membership, a proxy may be executed by either the husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them, and such joint member shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

SECTION 7. Agenda. No proposal from a member or group of members shall be voted upon at the annual meeting or any special meeting unless it has been placed on the agenda at least sixty (60) days prior to the date of such meeting. Such proposal may be placed on agenda by a petition signed by one hundred (100) members, by filing a copy of the proposal with the secretary within time allowed.

SECTION 8. Order of Business. The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE III DIRECTORS

SECTION 1. Number and General Powers. The business and affairs of Cumberland Valley Electric shall be managed by a Board of seven (7) directors. The Board shall exercise all of the powers of Cumberland Valley Electric except such as are by law or by Cumberland Valley Electric's Articles of Incorporation or bylaws conferred upon or reserved to the members.

SECTION 2. Districts. To insure the distribution of Board members throughout the area served by Cumberland Valley Electric, the territory served or to be served by it shall be divided into districts from which Board members shall be elected from time-to-time as provided for in these bylaws. The original districts and the number of directors to be elected from each are:

District Number	Counties in District	Number of Directors
1	Whitley & McCreary counties	1
2	Knox, Bell & Laurel counties	1
3	Knox, Bell & Laurel counties	1
4	Harlan, Leslie & Letcher counties	1
5	Harlan, Leslie & Letcher counties	1
6	Whitley & McCreary counties	1
7	Co-op Wide	1

SECTION 3. Qualifications. Any active member in good standing above the age of eighteen (18) years who is a high school graduate, as evidenced by high school diploma, shall be eligible to be a director; provided, however, that no member shall be eligible to become or remain a director, or to hold any position of trust who is not a bona fide resident of the area served by Cumberland Valley Electric at the time he is elected a director. Any director who is so elected, may remain a director until the expiration of the term to which he is elected, subject to the approval of the Board. No member shall be elected a director, who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to Cumberland Valley Electric, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to members of Cumberland Valley Electric, and no person shall take or hold office as a director who is the incumbent of or candidate for an elective public office in connection with which a salary is paid. When a membership is held jointly by a husband or wife, either one, but not both, may be elected a director; provided however, that neither one shall be eligible to become a director or to remain a director, or to hold position of trust in Cumberland Valley Electric unless both shall meet the qualifications herein above set forth. Nothing in this section contained shall, or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4. Election-Tenure. Board members shall be elected by the members-at-large at the Annual Meeting of members. They shall serve for terms of three (3) years each, ending with the third annual meeting following the election, and until their successors shall have been elected, declared qualified and seated. The seating of a new director shall occur at the next regular scheduled meeting of the Board of Directors. Board members for Districts 1, 3, 5, 6, and 7 shall be elected in 1990 and each third year thereafter. Board members for Districts 2 and 4 shall be elected in 1991 and each third year thereafter.

Board members whose terms are expiring are eligible for re-election. The election of Board members shall be by printed ballot. The ballots shall list the candidates nominated according to districts, giving their names and addresses. If there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Each member of Cumberland Valley Electric present shall be entitled to vote for one candidate from each district. The candidate from each district receiving the highest number of votes at the meeting shall be considered elected a board member. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 5. Nominations. It shall be the duty of the Board of Directors to appoint, not less than ninety (90) days before the date of the Annual Meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than seven (7) members who shall be selected so as to give equitable representation on the committee to the geographical areas served, or to be served by Cumberland Valley Electric. No officer or member of the Board of Directors shall be appointed a member of such committee. The nominating committee will report to the Board of Directors ninety (90) days prior to Annual Meeting their list of nominations for directors. The committee shall prepare and post at the principal office of Cumberland Valley Electric at least twenty (20) days before the meeting a list of nominations for directors. (But 500 or more members may make other nominations in writing over their signatures not less than ninety [90] days prior to the meeting and Secretary shall post the same at the same place where the list of nominations and the nominations made by petition, if any.) However, no write-in votes shall be permitted in the election of the members of the Board of Directors.

SECTION 6. Vacancies. Vacancies occurring for any reason in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the term of office to which he has been elected expires.

SECTION 7. Compensation. Compensation for Directors shall be determined by the

Board. If authorized by the Board, Board Members may also be reimbursed for expense actually and necessarily incurred carrying out Cumberland Valley Electric business, or granted a reasonable per diem allowance in lieu of detailed accounting of these expenses.

SECTION 8. Directors' Liability and Indemnification. A director of Cumberland Valley Electric shall not be personally liable to Cumberland Valley Electric or its shareholders for monetary damages for breach of his duties as a director, provided that this position shall not eliminate or limit the liability of a director for the following: (i) for any transaction in which the director's personal financial interest is in conflict with the financial interests of Cumberland Valley Electric or its shareholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law; (iii) for any vote for or assent to an unlawful distribution to shareholders as prohibited under KRS 271B.8-330; or (iv) for any transaction from which the director derived an improper personal benefit. This Section 8 shall continue to be applicable with respect to any such breach of duties by a director of Cumberland Valley Electric as a director notwithstanding that such director thereafter ceased to be a director and shall inure to the personal benefit of his heirs, executors and administrators. Cumberland Valley Electric may purchase insurance and otherwise indemnify the director against liability, including court costs and attorney fees, to the extent that their acts or omissions constituting the grounds for any alleged liability were performed in their official capacity and, if actionable, were based on good faith business judgments in the belief that the acts or omissions were in the best interest of Cumberland Valley Electric.

SECTION 9. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these bylaws, as it may deem advisable for the management, administration and regulation of the business affairs of Cumberland Valley Electric.

SECTION 10. Accounting System and Reports. The Board of Directors shall cause to be established and maintained, a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time-to-time be designated by the Administrator of the Rural Utilities Service of the United States of America. All accounts of Cumberland Valley Electric shall be examined by a committee of the Board of Directors which shall render reports to the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of Cumberland Valley Electric at the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

SECTION 11. Director Emeritus and Management Advisory Council. Policy Statement Numbers 62 and 63, adopted by the Board of Directors, February 17, 1983, and which became effective on that date, as amended on October 17, 1985, which policies deal with Directors Emeritus and Management Advisory Council shall not apply to any member of the present Board of Directors unless a present member of the Board of Directors elects to come within the purview of said policy.

SECTION 12. Removal of Director. Any member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by fifty-one per centum (51%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

ARTICLE IV MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this bylaw immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall be held monthly at such time and place in Knox County, Kentucky, as said Board may provide by resolution. Such regular meetings may be held without notice other than such resolutions fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any two (2) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Knox County, Kentucky), for the holding of any special meeting of the Board of Directors called by them.

SECTION 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least two (2) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time-to-time without further notice.

SECTION 5. Manner of Action. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V OFFICERS

SECTION 1. Number. The officers of Cumberland Valley Electric shall be a President, Vice President, Secretary and Treasurer, and such other officers as the Board of Directors may determine from time-to-time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2. Election and Terms of Office. The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the members or until his successor shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to removal of officers.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of Cumberland Valley Electric will be served thereby.

SECTION 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. President. The President:

- (a) shall be the principal executive officer of Cumberland Valley Electric and shall preside at all meetings of the members and of the Board of Directors;
- (b) shall sign, with the Secretary certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any checks, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of Cumberland Valley Electric, or shall be required by law to be otherwise signed or executed; and,
- (c) in general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time-to-time.

SECTION 6. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time-to-time may be assigned to him by the Board of Directors.

SECTION 7. Secretary. The Secretary shall:

- (a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notes are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of Cumberland Valley Electric records and of the seal of Cumberland Valley Electric and see that the seal of Cumberland Valley Electric is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of Cumberland Valley Electric under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member; sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors; have general charge of the books of Cumberland Valley Electric in which a record of the members is kept;
- (e) keep on file at all times a complete copy of the bylaws of Cumberland Valley Electric containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of Cumberland Valley Electric forward a copy of the bylaws and of all amendments thereto each member; and,
- (h) in general, perform all duties incident to the office of Secretary and such other duties as from time-to-time may be assigned to him by the Board of Directors.

SECTION 8. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of Cumberland Valley Electric;
- (b) receive and give receipts for monies due and payable to Cumberland Valley Electric from any source whatsoever, and deposit all such monies in the name of Cumberland Valley Electric in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and,
- (c) in general, perform all the duties incident to the office of Treasurer and such other duties from time-to-time as may be assigned to him by the Board of Directors.

SECTION 9. Manager. The Board of Directors may appoint a manager who may be, but who shall not be required to be a member of Cumberland Valley Electric. The manager shall perform such duties as the Board of Directors may from time-to-time require of him and shall have such authority as the Board of Directors may from time-to-time vest in him.

SECTION 10. Bonds of Officers. The Board of Directors shall require the Treasurer or any other officer of Cumberland Valley Electric charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of Cumberland Valley Electric to give bond in such amount and with such surety as it shall determine.

SECTION 11. Compensation and Indemnification. The Board of Directors shall fix the compensation of all officers, agents and employees of Cumberland Valley Electric. Cumberland Valley Electric may purchase insurance and otherwise indemnify any officers of Cumberland Valley Electric to the same extent as provided in Article III, Section 8 for directors.

SECTION 12. Reports. The officers of Cumberland Valley Electric shall submit at each Annual Meeting of the members reports covering the business of Cumberland Valley Electric for the previous fiscal year and showing the condition of Cumberland Valley Electric at the close of such fiscal year.

ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of Cumberland Valley Electric, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of Cumberland Valley Electric shall be signed by such manner as shall from time-to-time be determined by resolution of the Board of Directors.

SECTION 3. Deposits. All funds of Cumberland Valley Electric shall be deposited from time-to-time to the credit of Cumberland Valley Electric in such bank or banks as the Board of Directors may select it.

ARTICLE VII MEMBERSHIP CERTIFICATES

SECTION 1. Certificates of Membership. Membership in Cumberland Valley Electric shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of Cumberland Valley Electric or these bylaws. Such certificate shall be signed by the President and by the Secretary of Cumberland Valley Electric and the Corporate Seal shall be affixed thereto.

SECTION 2. Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

SECTION 3. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to Cumberland Valley Electric as the Board of Directors may prescribe.

ARTICLE VIII NON-PROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited. Cumberland Valley Electric shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by Cumberland Valley Electric on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy Cumberland Valley Electric's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for Cumberland Valley Electric. In order to induce patronage and to assure that Cumberland Valley Electric will operate on a non-profit basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the moment of receipt by Cumberland Valley Electric are received with the understanding that they are furnished by the patrons, members and non-members alike as capital. Cumberland Valley Electric is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of Cumberland Valley Electric shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and Cumberland Valley Electric shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of legal obligation to do so and the patron had then furnished Cumberland Valley Electric corresponding amounts for capital.

In the event of dissolution or liquidation of Cumberland Valley Electric, after all outstanding indebtedness of Cumberland Valley Electric shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of Cumberland Valley Electric will not be impaired thereby, the capital then credited to patron accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by Cumberland Valley Electric being first retired. In no event, however may any such capital be retired unless, after the proposed retirement, the capital of Cumberland Valley Electric shall equal at least forty per centum (40%) of the total assets of Cumberland Valley Electric. Capital credited to the account of each patron shall be assignable only on the books of Cumberland Valley Electric pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by Cumberland Valley Electric unless the Board of Directors, acting under policies of general application shall determine otherwise. In the event that non-member patron shall elect to become a member of Cumberland Valley Electric, the capital credited to the account of such non-member patron may be applied by Cumberland Valley Electric toward the payment of a membership fee on behalf of such non-member patron.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estates shall agree upon; provided, however, that the financial condition of Cumberland Valley Electric will not be impaired thereby.

The patrons of Cumberland Valley Electric, by dealing with Cumberland Valley Electric, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between Cumberland Valley Electric and each patron, and both Cumberland Valley Electric and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of Cumberland Valley Electric by posting it in a conspicuous place in Cumberland Valley Electric's office.

SECTION 3. Patronage Refunds in Connection with Furnishing Other Services. In the event that Cumberland Valley Electric should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of cost and expenses properly chargeable against the furnishings of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and

returned to those patrons, members and non-members alike, from whom such amounts were obtained.

ARTICLE IX WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given these bylaws. In case of a joint membership, a waiver of notice signed by either husband or wife shall be deemed a waiving notice of both joint members.

ARTICLE X DISPOSITION OF PROPERTY

SECTION 1. Vote Requirement and Procedures. No merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets shall be authorized except in conformity with the following:

1. If the Board of Directors looks with favor upon any proposal for such merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets, it shall first cause three independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of Cumberland Valley Electric with respect to merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets, and as to any other terms and conditions which should be considered. The three such appraisers shall be designated by the Knox Circuit Court Judge. If such Judge refuses to make such designations, they shall be made by the Board of Directors.
2. If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal shall be submitted for consideration by the members, it shall first give every other electric cooperative situated and operating in Kentucky (which has not made such an offer) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which Cumberland Valley Electric has already received and copies of the respective reports of the three appraisers. Such electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.
3. If the Board then determines that favorable consideration shall be given to the initial or any subsequent proposal which has been submitted to it, it shall first adopt by the affirmative vote of 3/4 of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than a (majority) of the total members and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety (90) days after the giving of such notice to the members; PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such Annual Meeting is held not sooner than ninety (90) days after the giving of such notice.
4. Any two hundred (200) or more members, by so petitioning the Board not less than twenty (20) days prior to date of such special or Annual Meeting, may cause Cumberland Valley Electric, with the cost to be borne by Cumberland Valley Electric,

to mail to all members any opposing or alternate positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

5. The provisions of this Section 1 shall not apply to a sale, merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets to one or more electric cooperatives chartered under KRS Chapter 279 or if the substantive or actual legal effect thereof is to merge or consolidate with such of the one or more electric cooperatives.
6. This bylaw shall take effect upon the affirmative vote of not less than three-fourths (3/4) of all directors; and shall remain in effect until altered, amended, or repealed by a similar vote of all directors and not less than a majority of the total members.

SECTION 2. Evaluative Considerations. In connection with the exercise of its judgment in determining what is in the best interest of Cumberland Valley Electric and its members when evaluating any proposal for merger, consolidation, sale of assets, lease, transfer, or other disposition of substantially all of Cumberland Valley Electric's assets, the Board of Directors shall, in addition to considering the adequacy of the amount to be paid in connection with the transaction, consider all of the following factors and other factors which it deems relevant: 1. The societal and economic effects of the transaction upon Cumberland Valley Electric's employees; 2. The societal and economic impact of the transaction upon the community and service territories; and 3. The long-term as well as short-term interest of Cumberland Valley Electric and its members, including the possibility that these interests may be best served by the continued existence of Cumberland Valley Electric.

ARTICLE XI FISCAL YEAR

The fiscal year of Cumberland Valley Electric shall begin on the first (1) day of January of each year and end on the thirty-first (31) day of December of the same year.

ARTICLE XII MEMBERSHIP IN OTHER ORGANIZATION

Cumberland Valley Electric shall not become a member of any organization or purchase stock in any other organization without the majority vote of the Board.

ARTICLE XIII SEAL

The corporate seal of Cumberland Valley Electric shall be in the form of a circle and shall have inscribed thereon the name of Cumberland Valley Electric and words "Corporate Seal, Kentucky."

ARTICLE XIV AMENDMENTS

These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all the directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

Rural Utilities Service Statement of Nondiscrimination

Cumberland Valley Electric, Inc. is the recipient of Federal financial assistance from the Rural Utilities Service (RUS), an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules of the U.S. Department of Agriculture, which provide that no person in the United States on the basis of race, color, national origin, age or handicap shall be excluded participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for this organization's nondiscrimination compliance efforts is Ted Hampton, Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, DC 20250; or the Administrator, Rural Utilities Service, Washington, DC 20250. Complaints must be filed within 180 days after the alleged discriminatory action, or by such later date to which the Secretary of Agriculture or the Administrator of RUS extends the time for filing. Identity of complainants will be kept confidential to the extent necessary to carry out the purposes of the rules and regulations of the U.S. Department of Agriculture.

CUMBERLAND VALLEY ELECTRIC, INC.
Highway 25E • Gray, Kentucky 40734

The CUMBERLAND

Currents

Cumberland Valley Rural Electric Cooperative Corporation

BYLAWS OF CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION Gray, Kentucky Revised May 28, 1996

CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

The aim of Cumberland Valley Rural Electric Cooperative Corporation (Hereinafter called the "Cooperative") is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

ARTICLE I MEMBERS

SECTION 1. Qualifications and Obligations. Any person, firm, corporation or political body may become a member in the Cooperative by:

- (a) paying the membership fee hereinafter specified;
- (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the articles of incorporation of the Cooperative and these bylaws and any amendments hereto and such rules and regulations as may from time-to-time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or political body shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No firm, person, corporation or political body may own more than one (1) membership in the Cooperative.

A husband and wife shall be considered a joint member and their application for membership may be accepted in accordance with the foregoing provisions of the above subdivisions (a), (b) and (c).

SECTION 2. Membership Fee. The membership fee shall be fixed by the Board of Directors.

SECTION 3. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time-to-time be fixed by the Board of Directors; provided however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any member. It is expressly understood that the amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to the Cooperative such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time-to-time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 4. Non-liability for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 5. Expulsion of members. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these bylaws for any rules and regulations adopted from time-to-time by the Board of Directors.

SECTION 6. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

SECTION 7. Transfer and Termination of Membership.

- (a) Membership in the Cooperative and a certificate representing the same shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to the Cooperative.
- (b) A membership by a husband and a wife, considered a joint membership and upon the death of either joint member shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and, upon the recording of such death on the books of the

Cooperative, the Certificate may be reissued to and in the name of such survivors; provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

ARTICLE II MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held at any such time and place designated by the Board of Directors, as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any four (4) board members, or by thirty per centum (30%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by the Cooperative.

SECTION 3. Notice of Members' Annual Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered not less than seven (7) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the Annual Meeting, to each member, that with respect to all Annual Meetings at which directors are to be elected, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members. The failure of any member to receive notice of an Annual Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Quorum. Two percent (2%) of the membership present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time-to-time without further notice.

SECTION 5. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these bylaws. Husband and wife are deemed to hold a joint membership, and they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

SECTION 6. Proxies. At all meetings of the members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary twenty-four (24) hours before the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated, or any adjournment of such meeting. No person shall vote a proxy for more than three (3) members at any meeting of the members except upon the question of amendment of the Articles of Incorporation or to increase the number of counties in which the Cooperative may operate, in either of which cases a person may hold and vote an unlimited number of proxies. No proxy shall be valid on and after sixty (60) days from its execution. The presence of a member at a meeting shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

In case of a joint membership, a proxy may be executed by either the husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them, and such joint member shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

SECTION 7. Agenda. No proposal from a member or group of members shall be voted upon at the annual meeting or any special meeting unless it has been placed on the agenda

at least sixty (60) days prior to the date of such meeting. Such proposal may be placed on agenda by a petition signed by one hundred (100) members, by filing a copy of the proposal with the secretary within time allowed.

SECTION 8. Order of Business. The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE III DIRECTORS

SECTION 1. Number and General Powers. The business and affairs of the Cooperative shall be managed by a Board of five (5) directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or bylaws conferred upon or reserved to the members.

SECTION 2. Districts. To insure the distribution of Board members throughout the area served by the Cooperative, the territory served or to be served by it shall be divided into districts from which Board members shall be elected from time-to-time as provided for in these bylaws. The original districts and the number of directors to be elected from each are:

District Number	Counties in District	Number of Directors
1	Whitley & McCreary counties	1
2	Knox, Bell & Laurel counties	1
3	Knox, Bell & Laurel counties	1
4	Harlan, Leslie & Letcher counties	1
5	Harlan, Leslie & Letcher counties	1

SECTION 3. Qualifications. Any person who is a member of Cumberland Valley Rural Electric Cooperative Corporation may seek membership on the Board of Directors if that person has the legal capacity to enter into a binding contract; who is a high school graduate, as evidenced by high school diploma, shall be eligible to be a director; provided, however, that no member shall be eligible to become or remain a director, or to hold any position of trust who is not a bona fide resident of the area served by the Cooperative at the time he is elected a director. Any director who is so elected, may remain a director until the expiration of the term to which he is elected, subject to the approval of the Board. No member shall be elected a director, who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to members of the Cooperative, and no person shall take or hold office as a director who is the incumbent of or candidate of any elective public office in connection with which a salary is paid. When a membership is held jointly by a husband or wife, either one, but not both, may be elected a director; provide however, that neither one shall be eligible to become a director or to remain a director, or to hold position of trust in the Cooperative unless both shall meet the qualifications herein above set forth. Nothing in this section contained shall, or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4. Election-Tenure. Board members shall be elected by the members-at-large at the Annual Meeting of members. They shall serve for terms of three (3) years each, ending with the third annual meeting following the election, and until their successors shall have been elected, declared qualified and seated. The seating of a new director shall occur at the next regular scheduled meeting of the Board of Directors. Board members for Districts 1, 3 and 5 shall be elected in 1990 and each third year thereafter. Board members for Districts 2 and 4 shall be elected in 1991 and each third year thereafter.

Board members whose terms are expiring are eligible for re-election.

The election of board members shall be by printed ballot. The ballots shall list the candidates nominated according to districts, giving their names and addresses. If there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Each member of the Cooperative present shall be entitled to vote for one candidate from each district. The candidate from each district receiving the highest number of votes at the meeting shall be considered elected a board member. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 5. Nominations. It shall be the duty of the Board of Directors to appoint, not less than ninety (90) days before the date of the Annual Meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than seven (7) members who shall be selected so as to give equitable representation on the committee to the geographical areas served, or to be served by the Cooperative. No officer or member of the Board of Directors shall be appointed a member of such committee. The nominating committee will report to the Board of Directors ninety (90) days prior to Annual Meeting their list of nominations for directors. The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors. (But one-tenth [1/10] or more members may make other nominations in writing over their signatures not less than ninety [90] days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations and the nominations made by petition, if any.) However, no write-in votes shall be permitted in the election of the members of the Board of Directors.

SECTION 6. Vacancies. Vacancies occurring for any reason in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the term of office to which he has been elected expires.

SECTION 7. Compensation. Compensation for Directors shall be determined by the Board. If authorized by the Board, Board Members may also be reimbursed for expense actually and necessarily incurred carrying out cooperative business, or granted a reasonable per diem allowance in lieu of detailed accounting of these expenses.

SECTION 8. Directors' Liability and Indemnification. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of his duties as a director, provided that this position shall not eliminate or limit the liability of a director for the following: (i) for any transaction in which the director's personal financial interest is in conflict with the financial interests of the Corporation or its shareholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law; (iii) for any vote for or assent to an unlawful distribution to shareholders as prohibited under KRS 271B 8-330; or (iv) for any transaction from which the director derived an improper personal benefit. This Section 8 shall continue to be applicable with respect to any such breach of duties by a director of the Corporation as a director notwithstanding that such director thereafter ceased to be a director and shall inure to the personal benefit of his heirs, executors and administrators. The Cooperative may purchase insurance and otherwise indemnify the director against liability, including court costs and attorney fees, to the extent that their acts or omissions constituting the grounds for any alleged liability were performed in their official capacity and, if actionable, were based on good faith business judgments in the belief that the acts or omissions were in the best interest of the Cooperative.

SECTION 9. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these bylaws, as it may deem advisable for the management, administration and regulation of the business affairs of the Cooperative.

SECTION 10. Accounting System and Reports. The Board of Directors shall cause to be established and maintained, a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time-to-time be designated by the Administrator of the Rural Electrification Administration of the United States of America. All accounts of the Cooperative shall be examined by a committee of the Board of Directors which shall render reports to the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

SECTION 11. Director Emeritus and Management Advisory Council. Policy Statement Numbers 62 and 63, adopted by the Board of Directors, February 17, 1983, and which became effective on that date, as amended on October 17, 1985, which policies deal with Directors Emeritus and Management Advisory Council shall not apply to any member of the present Board of Directors unless a present member of the Board of Directors elects to come within the purview of said policy.

SECTION 12. Removal of Director. Any member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by fifty-one per centum (51%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

ARTICLE IV MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this bylaw immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall be held monthly at such time and place in Knox County, Kentucky, as said Board may provide by resolution. Such regular meetings may be held without notice other than such resolutions fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any two (2) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Knox County, Kentucky), for the holding of any special meeting of the Board of Directors called by them.

SECTION 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least two (2) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time-to-time without further notice.

SECTION 5. Manner of Action. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer, and such other Officers as the Board of Directors may determine from time-to-time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2. Election and Terms of Office. The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held

after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby.

SECTION 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. President. The President:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- (b) shall sign, with the Secretary certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any checks, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and,
- (c) in general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time-to-time.

SECTION 6. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time-to-time may be assigned to him by the Board of Directors.

SECTION 7. Secretary. The Secretary shall:

- (a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notes are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative forward a copy of the bylaws and of all amendments thereto each member; and,
- (h) in general, perform all duties incident to the office of Secretary and such other duties as from time-to-time may be assigned to him by the Board of Directors.

SECTION 8. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and,
- (c) in general, perform all the duties incident to the office of Treasurer and such other duties from time-to-time as may be assigned to him by the Board of Directors.

SECTION 9. Manager. The Board of Directors may appoint a manager who may be, but who shall not be required to be a member of the Cooperative. The manager shall perform such duties as the Board of Directors may from time-to-time require of him and shall have such authority as the Board of Directors may from time-to-time vest in him.

SECTION 10. Bonds of Officers. The Board of Directors shall require the treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 11. Compensation and Indemnification. The Board of Directors shall fix the compensation of all officers, agents and employees of the Cooperative. The Cooperative may purchase insurance and otherwise indemnify any officers of the corporation to the same extent as provided in Article III, Section 8 for Directors.

SECTION 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such manner as shall from time-to-time be determined by resolution of the Board of Directors.

SECTION 3. Deposits. All funds of the Cooperative shall be deposited from time-to-time to the credit of the Cooperative in such bank or banks as the Board of Directors may select it.

ARTICLE VII MEMBERSHIP CERTIFICATES

SECTION 1. Certificates of Membership. Membership in the Cooperative shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these bylaws. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the Corporate Seal shall be affixed thereto.

SECTION 2. Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

SECTION 3. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE VIII NON-PROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. In no event, however may any such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least forty per centum (40%) of the total assets of the Cooperative. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application shall determine otherwise. In the event that non-member patron shall elect to become a member of the Cooperative, the capital credited to the account of such non-member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-member patron.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estates shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting it in a conspicuous place in the Cooperative's office.

SECTION 3. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of cost and expenses properly chargeable against the furnishings of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons, members and non-members alike, from whom such amounts were obtained.

**ARTICLE IX
WAIVER OF NOTICE**

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws. In case of a joint membership, a waiver of notice signed by either husband or wife shall be deemed a waiving notice of both joint members.

**ARTICLE X
DISPOSITION OF PROPERTY**

SECTION 1. Vote Requirement and Procedures. No merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets shall be authorized except in conformity with the following:

1. If the Board of Directors looks with favor upon any proposal for such merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets, it shall first cause three independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of the Cooperative with respect to merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets, and as to any other terms and conditions which should be considered. The three such appraisers shall be designated by the Knox Circuit Court Judge. If such Judge refuses to make such designations, they shall be made by the Board of Directors.
2. If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal shall be submitted for consideration by the members, it shall first give every other electric cooperative situated and operating in Kentucky (which has not made such an offer) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three appraisers. Such electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.
3. If the Board then determines that favorable consideration shall be given to the initial or any subsequent proposal which has been submitted to it, it shall first adopt by the affirmative vote of 3/4 of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than a (majority) of the total members and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety (90) days after the giving of such notice to the members; PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not sooner than ninety (90) days after the giving of such notice.
4. Any two hundred (200) or more members, by so petitioning the Board not less than

twenty (20) days prior to date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternate positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

5. The provisions of this Section 1. shall not apply to a sale, merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets to one or more electric cooperatives chartered under KRS Chapter 279 or if the substantive or actual legal effect thereof is to merge or consolidate with such of the one or more electric cooperatives.
6. This bylaw shall take effect upon the affirmative vote of not less than three-fourths (3/4) of all directors; and shall remain in effect until altered, amended, or repealed by a similar vote of all directors and not less than a majority of the total members.

SECTION 2. Evaluative Considerations. In connection with the exercise of its judgment in determining what is in the best interest of Cumberland Valley RECC and its members when evaluating any proposal for merger, consolidation, sale of assets, lease, transfer, or other disposition of substantially all of the Cooperative's assets, the Board of Directors shall, in addition to considering the adequacy of the amount to be paid in connection with the transaction, consider all of the following factors and other factors which it deems relevant:

1. The societal and economic effects of the transaction upon the Cooperative's employees;
2. The societal and economic impact of the transaction upon the community and service territories; and
3. The long-term as well as short-term interest of the Cooperative and its members, including the possibility that these interests may be best served by the continued existence of the Cooperative.

**ARTICLE XI
FISCAL YEAR**

The fiscal year of the Cooperative shall begin on the first (1) day of January of each year and end on the thirty-first (31) day of December of the same year.

**ARTICLE XII
MEMBERSHIP IN OTHER ORGANIZATION**

The Cooperative shall not become a member of any organization or purchase stock in any other organization without the majority vote of the Board.

**ARTICLE XIII
SEAL**

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and words "Corporate Seal, Kentucky."

**ARTICLE XIV
AMENDMENTS**

These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all the directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

Rural Utilities Service Statement of Nondiscrimination

The Cumberland Valley Rural Electric Cooperative Corporation is the recipient of Federal financial assistance from the Rural Utilities Service (RUS), an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules of the U.S. Department of Agriculture, which provide that no person in the United States on the basis of race, color, national origin, age or handicap shall be excluded participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for this organization's nondiscrimination compliance efforts is Ted Hampton, Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, DC 20250; or the Administrator, Rural Utilities Service, Washington, DC 20250. Complaints must be filed within 180 days after the alleged discriminatory action, or by such later date to which the Secretary of Agriculture or the Administrator of RUS extends the time for filing. Identity of complainants will be kept confidential to the extent necessary to carry out the purposes of the rules and regulations of the U.S. Department of Agriculture.

CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
Highway 25E • Gray, Kentucky 40734

The CUMBERLAND

Currents

Cumberland Valley Rural Electric Cooperative Corporation

BYLAWS OF CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION Gray, Kentucky Revised November 18, 1993

CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

The aim of Cumberland Valley Rural Electric Cooperative Corporation (Hereinafter called the "Cooperative") is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

ARTICLE I MEMBERS

SECTION 1. Qualifications and Obligations. Any person, firm, corporation or political body may become a member in the Cooperative by:

- paying the membership fee hereinafter specified;
- agreeing to purchase from the Cooperative electric energy as hereinafter specified; and
- agreeing to comply with and be bound by the articles of incorporation of the Cooperative and these bylaws and any amendments hereto and such rules and regulations as may from time-to-time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or political body shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No firm, person, corporation or political body may own more than one (1) membership in the Cooperative.

A husband and wife shall be considered a joint member and their application for membership may be accepted in accordance with the foregoing provisions of the above subdivisions (a), (b) and (c).

SECTION 2. Membership Fee. The membership fee shall be fixed by the Board of Directors.

SECTION 3. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time-to-time be fixed by the Board of Directors; provided however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any member. It is expressly understood that the amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to the Cooperative such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time-to-time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 4. Non-liability for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 5. Expulsion of members. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these bylaws for any rules and regulations adopted from time-to-time by the Board of Directors.

SECTION 6. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

SECTION 7. Transfer and Termination of Membership.

- Membership in the Cooperative and a certificate representing the same shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall hereupon terminate and the certificate of membership of such member shall be surrendered forthwith to the Cooperative.
- A membership by a husband and a wife, considered a joint membership and upon the death of either joint member shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and, upon the recording of such death on the books of the

Cooperative, the Certificate may be reissued to and in the name of such survivors; provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

ARTICLE II MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held at any such time and place designated by the Board of Directors, as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any four (4) board members, or by thirty per centum (30%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by the Cooperative.

SECTION 3. Notice of Members' Annual Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered not less than seven (7) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the Annual Meeting, to each member; that with respect to all Annual Meetings at which directors are to be elected, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members. The failure of any member to receive notice of an Annual Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Quorum. Two percent (2%) of the membership present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time-to-time without further notice.

SECTION 5. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these bylaws. Husband and wife are deemed to hold a joint membership, and they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

SECTION 6. Proxies. At all meetings of the members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary twenty-four (24) hours before the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated, or any adjournment of such meeting. No person shall vote a proxy for more than three (3) members at any meeting of the members except upon the question of amendment of the Articles of Incorporation or to increase the number of counties in which the Cooperative may operate, in either of which cases a person may hold and vote an unlimited number of proxies. No proxy shall be valid on and after sixty (60) days from its execution. The presence of a member at a meeting shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

In case of a joint membership, a proxy may be executed by either the husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them, and such joint member shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

SECTION 7. Agenda. No proposal from a member or group of members shall be voted upon at the annual meeting or any special meeting unless it has been placed on the agenda.

at least sixty (60) days prior to the date of such meeting. Such proposal may be placed on agenda by a petition signed by one hundred (100) members, by filing a copy of the proposal with the secretary within time allowed.

SECTION 8. Order of Business. The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE III DIRECTORS

SECTION 1. Number and General Powers. The business and affairs of the Cooperative shall be managed by a Board of five (5) directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or bylaws conferred upon or reserved to the members.

SECTION 2. Districts. To insure the distribution of Board members throughout the area served by the Cooperative, the territory served or to be served by it shall be divided into districts from which Board members shall be elected from time-to-time as provided for in these bylaws. The original districts and the number of directors to be elected from each are:

District Number	Counties in District	Number of Directors
1	Whitley & McCreary counties	1
2	Knox, Bell & Laurel counties	1
3	Knox, Bell & Laurel counties	1
4	Harlan, Leslie & Letcher counties	1
5	Harlan, Leslie & Letcher counties	1

SECTION 3. Qualifications. Any active member in good standing above the age of eighteen (18) years who is a high school graduate, as evidenced by high school diploma, shall be eligible to be a director; provided, however, that no member shall be eligible to become or remain a director, or to hold any position of trust who is not a bona fide resident of the area served by the Cooperative at the time he is elected a director. Any director who is so elected, may remain a director until the expiration of the term to which he is elected, subject to the approval of the Board. No member shall be elected a director, who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to members of the Cooperative. When a membership is held jointly by a husband or wife, either one, but not both, may be elected a director; provided however, that neither one shall be eligible to become a director or to remain a director, or to hold position of trust in the Cooperative unless both shall meet the qualifications herein above set forth. Nothing in this section contained shall, or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4. Election-Tenure. Board members shall be elected by the members-at-large at the Annual Meeting of members. They shall serve for terms of three (3) years each, ending with the third annual meeting following the election, and until their successors shall have been elected, declared qualified and seated. The seating of a new director shall occur at the next regular scheduled meeting of the Board of Directors. Board members for Districts 1, 3 and 5 shall be elected in 1990 and each third year thereafter. Board members for Districts 2 and 4 shall be elected in 1991 and each third year thereafter.

Board members whose terms are expiring are eligible for re-election. The election of board members shall be by printed ballot. The ballots shall list the candidates nominated according to districts, giving their names and addresses. If there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Each member of the Cooperative present shall be entitled to vote for one candidate from each district. The candidate from each district receiving the highest number of votes at the meeting shall be considered elected a board member. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 5. Nominations. It shall be the duty of the Board of Directors to appoint, not less than sixty (60) days before the date of the Annual Meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than seven (7) members who shall be selected so as to give equitable representation on the committee to the geographical areas served, or to be served by the Cooperative. No officer or member of the Board of Directors shall be appointed a member of such committee. The nominating committee will report to the Board of Directors sixty (60) days prior to Annual Meeting their list of nominations for directors. The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors. (But one-twentieth or more members may make other nominations in writing over their signatures not less than sixty [60] days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations and the nominations made by petition, if any.) However, no write-in votes shall be permitted in the election of the members of the Board of Directors.

SECTION 6. Vacancies. Vacancies occurring for any reason in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the term of office to which he has been elected expires.

SECTION 7. Compensation. Compensation for Directors shall be determined by the Board. If authorized by the Board, Board Members may also be reimbursed for expense actually and necessarily incurred carrying out cooperative business, or granted a reasonable

per diem allowance in lieu of detailed accounting of these expenses.

SECTION 8. Directors' Liability and Indemnification. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of his duties as a director, provided that this position shall not eliminate or limit the liability of a director for the following: (i) for any transaction in which the director's personal financial interest is in conflict with the financial interests of the Corporation or its shareholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law; (iii) for any vote for or assent to an unlawful distribution to shareholders as prohibited under KRS 271B 8-330; or (iv) for any transaction from which the director derived an improper personal benefit. This Section 8 shall continue to be applicable with respect to any such breach of duties by a director of the Corporation as a director notwithstanding that such director thereafter ceased to be a director and shall inure to the personal benefit of his heirs, executors and administrators. The Cooperative may purchase insurance and otherwise indemnify the director against liability, including court costs and attorney fees, to the extent that their acts or omissions constituting the grounds for any alleged liability were performed in their official capacity and, if actionable, were based on good faith business judgments in the belief that the acts or omissions were in the best interest of the Cooperative.

SECTION 9. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these bylaws, as it may deem advisable for the management, administration and regulation of the business affairs of the Cooperative.

SECTION 10. Accounting System and Reports. The Board of Directors shall cause to be established and maintained, a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time-to-time be designated by the Administrator of the Rural Electrification Administration of the United States of America. All accounts of the Cooperative shall be examined by a committee of the Board of Directors which shall render reports to the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

SECTION 11. Director Emeritus and Management Advisory Council. Policy Statement Numbers 62 and 63, adopted by the Board of Directors, February 17, 1983 and which became effective on that date, as amended on October 17, 1985, which policies deal with Directors Emeritus and Management Advisory Council shall not apply to any member of the present Board of Directors unless a present member of the Board of Directors elects to come within the purview of said policy.

SECTION 12. Removal of Director. Any member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by fifty-one percent (51%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

ARTICLE IV MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this bylaw immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall be held monthly at such time and place in Knox County, Kentucky, as said Board may provide by resolution. Such regular meetings may be held without notice other than such resolutions fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any two (2) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Knox County, Kentucky), for the holding of any special meeting of the Board of Directors called by them.

SECTION 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least two (2) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time-to-time without further notice.

SECTION 5. Manner of Action. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer, and such other of Officers as the Board of Directors may determine from time-to-time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2. Election and Terms of Office. The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each

officer shall hold office until the first meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby.

SECTION 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. President. The President:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- (b) shall sign, with the Secretary certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any checks, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and,
- (c) in general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time-to-time.

SECTION 6. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time-to-time may be assigned to him by the Board of Directors.

SECTION 7. Secretary. The Secretary shall:

- (a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notes are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative forward a copy of the bylaws and of all amendments thereto each member; and,
- (h) in general, perform all duties incident to the office of Secretary and such other duties as from time-to-time may be assigned to him by the Board of Directors.

SECTION 8. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and,
- (c) in general, perform all the duties incident to the office of Treasurer and such other duties from time-to-time as may be assigned to him by the Board of Directors.

SECTION 9. Manager. The Board of Directors may appoint a manager who may be, but who shall not be required to be a member of the Cooperative. The manager shall perform such duties as the Board of Directors may from time-to-time require of him and shall have such authority as the Board of Directors may from time-to-time vest in him.

SECTION 10. Bonds of Officers. The Board of Directors shall require the treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 11. Compensation and Indemnification. The Board of Directors shall fix the compensation of all officers, agents and employees of the Cooperative. The Cooperative may purchase insurance and otherwise indemnify any officers of the corporation to the same extent as provided in Article III, Section 8 for Directors.

SECTION 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI

CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or contracts and deliver any instrument in the name and on behalf of the Cooperative, and such agent or agents may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such manner as shall from time-to-time be determined by resolution of the Board of Directors.

SECTION 3. Deposits. All funds of the Cooperative shall be deposited from time-to-time to the credit of the Cooperative in such bank or banks as the Board of

Directors may select it.

ARTICLE VII

MEMBERSHIP CERTIFICATES

SECTION 1. Certificates of Membership. Membership in the Cooperative shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these bylaws. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the Corporate Seal shall be affixed thereto.

SECTION 2. Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

SECTION 3. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE VIII

NON-PROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least forty per centum (40%) of the total assets of the Cooperative. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application shall determine otherwise. In the event that non-member patron shall elect to become a member of the Cooperative, the capital credited to the account of such non-member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-member patron.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estates shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting it in a conspicuous place in the Cooperative's office.

SECTION 3. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of cost and expenses properly chargeable against the furnishings of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons, members and non-members alike, from whom such amounts were obtained.

ARTICLE IX

WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws. In case of a joint membership, a waiver of notice signed by either

husband or wife shall be deemed a waiving notice of both joint members.

ARTICLE X DISPOSITION OF PROPERTY

SECTION 1. Vote Requirement and Procedures. No merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets shall be authorized except in conformity with the following:

- 1 If the Board of Directors looks with favor upon any proposal for such merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets, it shall first cause three independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of the Cooperative with respect to merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets, and as to any other terms and conditions which should be considered. The three such appraisers shall be designated by the Knox Circuit Court Judge. If such Judge refuses to make such designations, they shall be made by the Board of Directors.
- 2 If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal shall be submitted for consideration by the members, it shall first give every other electric cooperative situated and operating in Kentucky (which has not made such an offer) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three appraisers. Such electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.
- 3 If the Board then determines that favorable consideration shall be given to the initial or any subsequent proposal which has been submitted to it, it shall first adopt by the affirmative vote of 3/4 of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than a (majority) of the total members and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety (90) days after the giving of such notice to the members: PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not sooner than ninety (90) days after the giving of such notice.
- 4 Any two hundred (200) or more members, by so petitioning the Board not less than twenty (20) days prior to date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternate positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

5. The provisions of this Section 1 shall not apply to a sale, merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of the Cooperative's properties and assets to one or more electric cooperatives chartered under KRS Chapter 279 or if the substantive or actual legal effect thereof is to merge or consolidate with such of the one or more electric cooperatives.
- 6 This bylaw shall take effect upon the affirmative vote of not less than three-fourths (3/4) of all directors; and shall remain in effect until altered, amended, or repealed by a similar vote of all directors and not less than a majority of the total members.

SECTION 2. Evaluative Considerations. In connection with the exercise of its judgment in determining what is in the best interest of Cumberland Valley RECC and its members when evaluating any proposal for merger, consolidation, sale of assets, lease, transfer, or other disposition of substantially all of the Cooperative's assets, the Board of Directors shall, in addition to considering the adequacy of the amount to be paid in connection with the transaction, consider all of the following factors and other factors which it deems relevant:

1. The societal and economic effects of the transaction upon the Cooperative's employees;
2. The societal and economic impact of the transaction upon the community and service territories; and
3. The long-term as well as short-term interest of the Cooperative and its members, including the possibility that these interests may be best served by the continued existence of the Cooperative.

ARTICLE XI FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first (1) day of January of each year and end on the thirty-first (31) day of December of the same year.

ARTICLE XII MEMBERSHIP IN OTHER ORGANIZATION

The Cooperative shall not become a member of any organization or purchase stock in any other organization without the majority vote of the Board

ARTICLE XIII SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and words "Corporate Seal, Kentucky."

ARTICLE XIV AMENDMENTS

These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all the directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

Statement of Nondiscrimination

The Cumberland Valley Rural Electric Cooperative Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Electrification Administration that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973, and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color, creed, sex, age, handicap, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities.

Under this assurance, this organization is committed not to discriminate against any person on the grounds of race, color, creed, sex, age, handicap, or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants including rates, conditions, and extensions of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants, or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Civil Rights Act or Section 504 of the Rehabilitation Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, DC 20250, or the Rural Electrification Administration, Washington, DC 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than 180 days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Electrification Administration extends the time for filing. Identity of complainants will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations.

CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
Highway 25E • Gray, Kentucky 40734

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

DOCUMENT RETENTION

- Q. Please identify and provide copies of CVE's written policies regarding document retention.

- R. The Board of Directors has not adopted any policy regarding document retention. However, CVE follows the RUS guidelines on document retention. Attached as a part of this response is the RUS guidelines on document retention.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Utilities Service

RUS BULLETIN 180-2

SUBJECT: Record Retention Recommendations for RUS Electric Borrowers

TO: RUS Electric Borrowers
Certified Public Accountants

EFFECTIVE DATE: Date of Approval

OFFICE OF PRIMARY INTEREST: Program Accounting and Regulatory Analysis

INSTRUCTIONS: This bulletin replaces the REA Bulletin 180-2 dated June 6, 1972.

AVAILABILITY: This bulletin is available on the RUS web site at
http://www.usda.gov/electric_bulletin.htm

PURPOSE: This bulletin suggests policies and procedures for the effective preservation and efficient maintenance of financial records of RUS Electric borrowers.


Blaine D. Stockton
Assistance Administrator
Electric Program

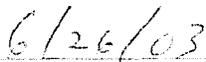

Date

TABLE OF CONTENTS

1. PURPOSE
2. GENERAL
3. RECORD STORAGE MEDIA
4. RECOMMENDED PRACTICES

EXHIBITS

Exhibit A - FERC Regulation: 18 CFR Part 125 – Preservation of Records of Public Utilities and Licensees. *(Every effort has been made to ensure the accuracy of this document, however, in case of discrepancies, the printed version available from the Government Printing Office, is the authoritative source.)*

ABBREVIATIONS

INDEX:

ACCOUNTING

Policy on Audits

AUDITS

FERC - Federal Energy Regulatory Commission

RUS - Rural Utilities Service

DEFINITIONS

Public Utility or Licensee - RUS Borrower

Commission - Federal Energy Regulatory Commission

1 PURPOSE

This bulletin recommends policies and procedures for the effective preservation and efficient maintenance of financial records of Rural Utilities Service (RUS) Electric borrowers.

2 GENERAL

RUS endorses the guidelines as described by the Federal Energy Regulatory Commission's (FERC) "Regulations to Govern the Preservation of Records of Public Utilities and Licensees." The FERC guidelines can be found in 18 CFR Part 125 (Exhibit A). Records of RUS borrowers of a kind not listed in the FERC regulations should be governed by those applicable to the closest similar records. These suggested guidelines should not be construed as excusing compliance with any other lawful requirements for the preservation and maintenance of records.

3 RECORD STORAGE MEDIA

The media used to capture and store the data will play an important part of each RUS borrower. Each borrower has the flexibility to select its own storage media. The following are suggested guidelines:

- (a) The storage media have a life expectancy at least equal to the applicable retention period provided for in the master index of records, unless there is quality transfer from one media to another with no loss of data. Each transfer of data from one media to another should be verified for accuracy and documented.
- (b) It is suggested that each borrower implement internal control procedures that assure the reliability of, and ready access to, data stored on machine-readable media. It is advisable that a borrower's internal control procedures be documented by a responsible supervisory official.
- (c) It is recommended that records be indexed and retained in such a manner that they are easily accessible.

- (d) It would be helpful if the borrower have the hardware and software available to locate, identify, and reproduce the records in readable form without loss of clarity.
- (e) At the expiration of the retention period, the borrower may use any appropriate method to destroy records.
- (f) When any records are lost or destroyed before the expiration of the retention period set forth in the mater index, it is recommended that a certified statement be added to the master index listing, as far as may be determined, the records lost or destroyed and describing the circumstances of the premature loss or destruction.

4 RECOMMENDED PRACTICES

- (a) Financial requirement and expenditure statements, which are not specifically covered by FERC regulations are recommended to be kept for one year after the “as of date” of RUS’s loan fund and accounting review.
- (b) Consumer accounts’ records should be kept for those years for which patronage capital has not been allocated.

Federal Energy Regulatory Commission

§ 125.2

14. Miscellaneous office supplies and expenses, printing, and stationery.

15. Transportation, meals, and incidental expenses.

NOTE A: The pay of employees driving trucks or other transportation equipment incidental to their regular occupation, shall not be included herein but charged directly to the appropriate expense or other account.

NOTE B: Transportation expenses applicable to construction shall not be included in operating expenses.

935 Maintenance of general plant.

A. This account shall include the cost assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of property, the book cost of which is includible in account 390. Structures and Improvements, account 391. Office Furniture and Equipment, account 397. Communication Equipment, and account 398 Miscellaneous Equipment. For Nonmajor utilities, include also other general equipment accounts (not including transportation equipment). (See operating expense instruction 2.)

B. Maintenance expenses on office furniture and equipment used elsewhere than in general, commercial and sales offices shall be charged to the following accounts:

- Steam Power Generation. Account 514.
Nuclear Power Generation. Account 532 (Major only).
Hydraulic Power Generation. Account 545.
Other Power Generation. Account 554.
Transmission. Account 573.
Distribution. Account 598
Merchandise and Jobbing. Account 416.
Garages, Shops, etc., Appropriate clearing account, if used.

NOTE: Maintenance of plant included in other general equipment accounts shall be included herein unless charged to clearing accounts or to the particular functional maintenance expense account indicated by the use of the equipment.

PART 104 [RESERVED]

NOTE: For the Uniform System of Accounts for all Public Utilities, see part 101 of this subchapter.

PART 125—PRESERVATION OF RECORDS OF PUBLIC UTILITIES AND LICENSEES

- Sec.
125.1 Promulgation.
125.2 General instructions.
125.3 Schedule of records and periods of retention.

AUTHORITY: 16 U.S.C. 825, 825c, and 825h; 44 U.S.C. 3501 et seq.

§ 125.1 Promulgation.

This Part is prescribed and promulgated as the regulations governing the preservation of records by public utilities subject to the jurisdiction of the Commission and by licensees holding licenses issued by the Commission, to the extent and in the manner set forth therein.

[Order 617, 65 FR 48155, Aug 7, 2000]

§ 125.2 General instructions.

(a) Scope of this part. (1) The regulations in this part apply to all books of account and other records prepared by or on behalf of the public utility or licensee. See item 40 of the schedule (§125.3) for those records that come into possession of the public utility or licensee in connection with the acquisition of property, such as purchase, consolidation, merger, etc.

(2) The regulations in this part should not be construed as excusing compliance with other lawful requirements of any other governmental body, Federal or State, prescribing other record keeping requirements or for preservation of records longer than those prescribed in this part.

(3) To the extent that any Commission regulations may provide for a different retention period, the records should be retained for the longer of the retention periods.

(4) Records other than those listed in the schedule may be destroyed at the option of the public utility or licensee: Provided, however, That records which are used in lieu of those listed shall be preserved for the periods prescribed for the records used for substantially similar purposes. And, provided further, That retention of records pertaining to added services, functions, plant, etc.,

Federal Energy Regulatory Commission

§ 125.3

the transaction, the amounts involved, and the accounts used to record the transactions.

(j) *Index of records.* Public utilities and licensees must arrange, file, and index records so records may be readily identified and made available to Commission representatives.

(k) *Rate case.* Notwithstanding the minimum retention periods provided in these regulations, if a public utility or licensee wants to reflect costs in a current, future, or pending rate case, or if a public utility or licensee has abandoned or retired a plant subsequent to the test period of the utility's rate case, the utility must retain the appropriate records to support the costs and adjustments proposed in the current or next rate case.

(l) *Pending complaint litigation or governmental proceedings.* Notwithstanding the minimum requirements, if a public utility or licensee is involved in pending litigation, complaint procedures, proceedings remanded by the court, or governmental proceedings, it must retain all relevant records.

(m) *Life or mortality study data.* Life or mortality study data for depreciation purposes must be retained for 25 years or for 10 years after plant is retired, whichever is longer.

(Secs. 3, 4, 15, 16, 308; 41 Stat. 1063-1066, 1068, 1072, 1075; 49 Stat. 838-841; 82 Stat. 617 (16 U.S.C. 796, 797, 803, 808, 809, 816, 825b, 825g, 826i); secs. 8, 10, 16; 52 Stat. 825, 826, 830 (15 U.S.C. 717g, 717i, 717o))

[Order 450, 37 FR 6293, Mar. 28, 1972, as amended by Order 567, 42 FR 30615, June 16, 1977; Order 258, 47 FR 42724, Sept. 29, 1982; Order 335, 48 FR 44483, Sept. 29, 1983; Order 617, 65 FR 48155, Aug. 7, 2000]

§ 125.3 Schedule of records and periods of retention.

TABLE OF CONTENTS

Corporate and General

1. Reports to stockholders.
2. Organizational documents.
3. Contracts including amendments and agreements.
4. Accountants' and auditors' reports.

Information Technology Management

5. Automatic data processing records.

General Accounting Records

6. General and subsidiary ledgers.

7. Journals: General and subsidiary.
8. Journal vouchers and entries.
9. Cash books.
10. Voucher registers.
11. Vouchers.

Insurance

12. Insurance records.

Operations and Maintenance

- 13.1. Production—Public utilities and licensees (less nuclear).
- 13.2. Production—Nuclear.
14. Transmission and distribution—Public utilities and licensees.
15. Maintenance work orders and job orders.

Plant and Depreciation

16. Plant ledgers.
17. Construction work in progress ledgers.
18. Retirement work in progress ledgers.
19. Summary sheets.
20. Appraisals and valuations.
21. Engineering records.
22. Contracts relating to utility plant.
23. Reclassification of utility plant account records.
24. Accumulated depreciation and depletion of utility plant account records.

Purchase and Stores

25. Procurement.
26. Material ledgers.
27. Materials and supplies received and issued.
28. Records of sales of scrap and materials and supplies.

Revenue Accounting and Collection

29. Customers' service applications and contracts.
30. Rate schedules.
31. Maximum demand and demand meter record cards.
32. Miscellaneous billing data.
33. Revenue summaries.

Tax

34. Tax records.

Treasury

35. Statements of funds and deposits.
36. Records of deposits with banks and others.

Miscellaneous

37. [Reserved.]
38. Statistics.
39. Budgets and other forecasts.
40. Records of predecessors companies.
41. Reports to Federal and State regulatory commissions.
42. Advertising.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
(e) Lists of unaudited bills (accounts payable), list of vouchers transmitted, and memoranda regarding changes in audited bills.	Destroy at option.
(f) Voucher indexes	Destroy at option
Insurance	
12. Insurance records:	
(a) Records of insurance policies in force, showing coverage, premiums paid, and expiration dates.	Destroy at option after expiration of such policies
(b) Records of amounts recovered from insurance companies in connection with losses and of claims against insurance companies, including reports of losses, and supporting papers.	6 years See § 125 2(g)
Operations and Maintenance	
13.1 Production—Public utilities and licensees (less Nuclear):	
(a) Boiler-tube failure report	3 years
(b) Generation and output logs with supporting data:	3 years
(c) Station and system generation reports and clearance logs.	
(1) Hydro-electric	25 years See § 125 2(g)
(2) Steam and others	6 years See § 125 2(g)
(d) Generating high-tension and low-tension load records	3 years
(e) Load curves, temperature logs, coal, and water logs	3 years
(f) Gauge-reading reports	2 years, except river flow data collected in connection with hydro operation must be retained for life of corporation
(g) Recording instrumentation charts	1 year, except where the basic chart information is transferred to another record, the charts need only be retained 6 months provided the record containing the basic data is retained 1 year
13.2 Production—Nuclear:	
For informational purposes, refer to the document retention requirements of the Nuclear Regulatory Commission.	
14. Transmission and distribution—Public utilities and licensees	
(a) Substation and transmission line logs	3 years
(b) System operator's daily logs and reports of operation	3 years
(c) Transformer history records	For life of transformer.
(d) Records of transformer inspections, oil tests, etc.	Destroy at option
15. Maintenance work orders and job orders:	
(a) Authorizations for expenditures for maintenance work to be covered by work orders, including memoranda showing the estimates of costs to be incurred.	5 years
(b) Work order sheets to which are posted in detail the entries for labor, material, and other charges in connection with maintenance, and other work pertaining to utility operations	5 years.
(c) Summaries of expenditures on maintenance and job orders and clearances to operating other accounts (exclusive of plant accounts).	5 years
Plant and Depreciation	
16. Plant ledgers:	
(a) Ledgers of utility plant accounts including land and other detailed ledgers showing the cost of utility plant by classes	25 years See § 125 2(g).
(b) Continuing plant inventory ledger, book or card records showing description, location, quantities, cost, etc., of physical units (or items) of utility plant owned.	25 years See § 125 2(g).
17. Construction work in progress ledgers, work orders, and supplemental records:	
(a) Construction work in progress ledgers	5 years after clearance to plant account, provided continuing plant inventory records are maintained; otherwise 5 years after plant is retired.
(b) Work orders sheets to which are posted in summary form or in detail the entries for labor, materials, and other charges for utility plant additions and the entries closing the work orders to utility plant in service at completion.	5 years after clearance to plant account, provided continuing plant inventory records are maintained; otherwise 5 years after plant is retired.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
(a) Agreements entered into for the acquisition of goods or the performance of services. Includes all forms of agreements not specifically set forth in Subsection 7 such as but not limited to: Letters of intent, exchange of correspondence, master agreements, term contracts, rental agreements, and the various types of purchase orders:	
(1) For goods or services relating to plant construction	6 years See § 125.2(g)
(2) For other goods or services	6 years
(b) Supporting documents including accepted and unaccepted bids or proposals (summaries of unaccepted bids or proposals may be kept in lieu of originals) evidencing all relevant elements of the procurement	6 years See § 125.2(g)
26. Material ledgers: Ledger sheets of materials and supplies received, issued and on hand	6 years after the date the records/ledgers were created
27. Materials and supplies received and issued: Records showing the detailed distribution of materials and supplies issued during accounting periods	6 years See § 125.2(g)
28. Records of sales of scrap and materials and supplies:	
(a) Authorization for sale of scrap and materials and supplies	3 years
(b) Contracts for sale of scrap materials and supplies	3 years
Revenue Accounting and Collecting	
29. Customers' service applications and contracts. Contracts, including amendments for extensions of service, for which contributions are made by customers and others	4 years after expiration
30. Rate schedules: General files of published rate sheets and schedules of utility service. Including schedules suspended or superseded	6 years after published rate sheets and schedules are superseded or no longer used to charge for utility service
31. Maximum demand, and demand meter record cards	1 year, except where the basic chart information is transferred to another record the charts need only be retained 6 months. provided the basic data is retained 1 year Destroy at option
32. Miscellaneous billing data: Billing department's copies of contracts with customers (other than contracts in general files)	
33. Revenue summaries: Summaries of monthly operating revenues according to classes of service. Including summaries of forfeited discounts and penalties	5 years
Tax	
34. Tax records:	
(a) Copies of tax returns and supporting schedules filed with taxing authorities, supporting working papers, records of appeals of tax bills, and receipts for payment. See Subsection 11(b) for vouchers evidencing disbursements:	
(1) Income tax returns	2 years after final tax liability is determined
(2) Property tax returns	2 years after final tax liability is determined
(3) Sales and other use taxes	2 years
(4) Other taxes	2 years after final tax liability is determined
(5) Agreements between associate companies as to allocation of consolidated income taxes	2 years after final tax liability is determined
(6) Schedule of allocation of consolidated Federal income taxes among associate companies	2 years after final tax liability is determined
(b) Filings with taxing authorities to qualify employee benefit plans.	5 years after discontinuance of plan.
(c) Information returns and reports to taxing authorities.	3 years after final tax liability is determined.
Treasury	
35. Statements of funds and deposits	For nuclear decommissioning funds, retain records for all items listed for 3 years after final decommissioning is completed. If amortization reserve funds related to licensed projects are maintained, retain until the Commission makes a final determination of the disposition of amortization reserves. Retain records for the most recent 3 years.
(a) Statements of periodic deposits with fund administrators or trustees.	Retain records for the most recent 3 years.
(b) Statements of periodic withdrawals from fund	Retain records until the fund is dissolved or terminated
(c) Statements prepared by fund administrator or trustees of fund activity including:	
(1) Beginning of the year balance of fund;	
(2) Deposits with the fund;	
(3) Acquisition of investments held by the fund;	

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

MANAGEMENT POLICIES

- Q. With regard to CVE's responses to the AG's initial data request number 67, please clarify whether CVE maintains any written policies regarding management in the following functional areas: personnel, management qualifications, contract bidding and procurement, oversight of contractors, accounting policies and procedures, purchasing and cash disbursements.
- a. If the answer is "yes", provide copies of same.
 - b. If the answer is "no", state, precisely, why not.
- R. Included as a part of this response is CVE's policy on these matters.

OK. T. J. Young
adly

CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
POLICY STATEMENT NO. 6
Section B

SUBJECT: Board of Directors - General Manager Relationship

I. PURPOSE:

- A. To establish the basic relationship between the Board of Directors and the General Manager so that accepted management principles and practices can be observed.
- B. To define the delegations from the Board of Directors to the General Manager so that he may operate the business of the Cooperative as expeditiously as possible.
- C. To clarify the responsibilities and authorities of the General Manager so that Board Members and Employees may understand the proper procedures for the operation of the Cooperative's business.

II. POLICY STATEMENT:

The By-laws of Cumberland Valley RECC stipulate that the Board of Directors "may appoint a manager" who "shall exercise such authority as the Board of Directors may from time to time vest in him."

In accordance with this provision, it shall be the policy of the Board of Directors of Cumberland Valley RECC to use the following outline of Relationships, Delegations, and Responsibilities as guidelines for the management of the Cooperative.

A. Relationships

- 1. The Board recognizes its responsibility for the employment of a General Manager whose management skill and judgement will ensure the continued successful operation of the Cooperative.